

FROM STRUGGLE TO STABILITY: THE ASSOCIATION AMONG FINANCIAL LITERACY, FINANCIAL BEHAVIOR, AND FINANCIAL CAPABILITY OF HOMEMAKERS IN MISAMIS OCCIDENTAL

Jarwenna M. Tuttuh¹, Glenn F. Eisma²

^{1,2}University of Northwestern Mindanao

Volume 11, Issue No.1

Abstract

Homemakers have significant influence over their families' financial choices; as such, they must possess some level of financial capability. In addition to building household resiliency, the financial capability of households is also crucial to promoting community well being. The purpose of this research is to explore the level of knowledge that homemakers have about personal finance, their financial behaviors as a homemaker and whether there is an association among them, specifically for homemakers who reside in the province of Misamis Occidental. This study employed a quantitative descriptive-correlational approach. A sample size of 383 homemakers from Misamis Occidental was drawn utilizing purposive sampling. To collect data regarding the constructs of interest, a validated survey tool with four point Likert scales was employed. Descriptive statistics were applied to find out what the mean scores of each concept were. Spearman's rho (rank-order) correlation was utilized to ascertain both the degree and the nature of the relationship(s) present between the constructs studied. Results indicated that respondents had moderately strong levels of financial literacy (Mean = 3.28), moderate levels of financial behavior (Mean = 3.26) but weaker levels of financial capability (Mean = 3.15). Statistical significance was determined at $p < .001$ when examining the relationships between the constructs. Results indicate that homemakers require community-based financial education and accessible inclusive financial service options to convert their positive financial knowledge and behaviors into improved household financial capabilities.

Keywords: *financial literacy, financial behavior, financial capability, homemakers, community well-being, financial inclusion*

1.0 INTRODUCTION

Knowledge of how to save, budget, invest and deal with debt can assist people in making informed financial choices about how they manage household resources. Such knowledge enables people to take control over their financial lives. Studies conducted previously show that knowledge of finance is positively correlated with good financial practice. Examples include allocating resources effectively and being able to set and achieve long-term goals financially. Additionally, individuals who demonstrate greater knowledge of finance often avoid accumulating too much debt (Robb & Woodyard, 2011).

Financial well-being, however, is dependent upon far more than simply financial literacy. Johnson & Sherraden (2007) defined financial capability as a broader concept including two elements: the knowledge of financial concepts and the ability and availability to apply that knowledge for making daily financial decisions. Despard and Chowa (2014) define financial capability in addition to their definition as a function of financial literacy and opportunity for application of that knowledge, behaviorally. Therefore, within

this conceptual framework; Financial Literacy will represent the knowledge and awareness of various financial related concepts, Financial Behavior will be represented by how money is specifically being managed, and Financial Capability will reflect an individual's practical ability to manage household finances and to make well-informed financial decisions.

Dew and Xiao (2011) identified saving, budgeting, investing and reducing excessive debt as examples of financially-related behaviors. Those who have demonstrated higher levels of financial literacy have reported greater amounts of good money management skills when compared to those with lower levels of financial literacy. Financial capability has been shown to be directly correlated with the demonstration of effective money management techniques and overall health and wellness (Nanda and Banerjee, 2021). Thus, the conceptual model proposed for this study supports the hypothesis that a correlation exists between financial literacy, financially-related behaviors and financial capability. In addition, since a descriptive-correlational research design was employed in this study, an emphasis was placed on identify-

ing the correlation(s) between each variable being studied rather than determining if cause-and-effect relationships exist.

The Philippines continues to experience concerns regarding financial literacy. Global studies have found that few adults throughout the world have a reasonable level of knowledge regarding fundamental aspects of finance which include risk spreading, rate of interest management, and an awareness of inflation (Klapper et al., 2015) as is the case with adults in the Philippines. When it comes to an adult's average response to a question regarding their knowledge of personal finance as part of the Bangko Sentral ng Pilipinas' 2019 Financial Inclusion Survey, they answered approximately one correct answer for every three incorrect responses. Moreover, only 2 percent of respondents provided six consecutive correct answers to financial literacy items during the same survey period (BSP, 2019; BSP, 2021). Collectively these findings reinforce the necessity for ongoing efforts promoting financial education programs and accessible financial services.

Homemakers encounter unique challenges in relation to their financial capabilities due to the fact that many engage in

managing the finances of their household(s) without independently earning income. A substantial number of women continue to be responsible for performing a majority of unpaid domestic and child-care responsibilities. Consequently, many women's participation in the formal economy is restricted, and they may rely on others within their households for financial support (Addati et al., 2018). For homemakers residing in the Philippines, limited access to financial resources combined with limited educational opportunities likely contribute to lower levels of financial capability (World Bank Group, 2015).

While some previous studies have examined financial literacy, financial behavior and financial capability in samples of various demographic groups such as college students, working adults, business owners/entrepreneurs and others, surprisingly little research has been undertaken examining these topics within a specific group of demographics including homemakers. Thus, this study will fill this void in existing literature by determining if there are significant correlations among financial literacy, financial behavior and financial capability within a sample of homemakers

who live in Misamis Occidental. A major way in which this research was new was its focus upon investigating the relations among these constructs using data from women who were responsible for making household level financial decision-making.

This study looked at the relationship among financial literacy, behavior and capability among homemakers in Misamis Occidental Province. We measured how much respondents knew about personal finance, whether they showed positive behaviors managing money well and whether they showed practical skills necessary for making good household financial decisions. Analysis will be done to see if there is any relationship between the variables analyzed. Results from this study could also provide some understanding that would help develop community programs that promote education about personal finance along with innovative and inclusive financial services that better meet specific needs of homemakers and low income families.

2.0 RESEARCH METHOD

This study used a quantitative descriptive-correlational research design. It examined the

relationships among financial literacy, financial behavior, and financial capability of homemakers in Misamis Occidental, Philippines. The respondents' levels of financial literacy, financial behavior, and financial capability were described using descriptive statistics, while the relationships among the variables were tested using correlation analysis.

The assessment tool was validated prior to being administered. Validity of content was established through an expert validation process where independent reviewers reviewed the survey in regards to its relevance, clarity, and appropriateness related to the study variables. Suggestions and recommendations from these experts were included in the final version of the assessment tool. The constructs' internal consistency reliability was assessed by means of McDonald's Omega; as well as the constructs' validity through a confirmatory factor analysis (CFA) that evaluated the factor loadings of the individual indicator measures of each construct.

Due to the fact that participants provided their answers on a 4-point Likert scale, as well as the fact that the data were ordinal in nature, it was determined a nonparametric statistical test would be an acceptable meth-

od for this study. A Spearman’s rank correlation coefficient was utilized to examine both the strength and the direction of the relationship(s) among financial literacy, financial behavior, and financial capability. In addition, the Jamovi program was used to analyze the data that was collected from the participants.

With the use of the Rao-soft sample size calculator, and with a 95% level of confidence and a 5% margin of error, a total of 383 participants were randomly sampled. Utilizing purposive sampling allowed researchers to locate homemakers who had knowledge regarding household financial management and could provide related information. Qualified participants included homemakers over age 21, who resided in Misamis Occidental,

and made decisions relative to household finances. Data were collected by either conducting face-to-face administrations or by making the surveys available via online formats to encourage participant accessibility.

The standard practices of ethics for survey research were followed when collecting data. Participation within the study was completely voluntary; prior to answering the survey each respondent gave his/her informed consent. All aspects of the respondents’ privacy (i.e., privacy), anonymity (i.e., anonymity), and confidentiality (i.e., confidentiality) were preserved throughout all phases of data collection. The data collected from these participants were only used for research purposes.

3.0 RESULTS

Table 1. *Demographic Data of Respondents*

Participants' Characteristics	Profile	N	Percentage
Marital Status	Married	290	75.7%
	Common- Law Partner	47	12.3%
	Separated	9	2.3%
	Widowed	37	9.7%
Educational Level	College	101	26.6%
	Elementary	31	8.2%
	High School	178	47.0%

	Postgraduate	69	18.2%
Employment Status	Full-time Homemaker	197	51.4%
	Part-time Worker	93	24.3%
	Self Employed	93	24.3%
Monthly Household Income	10000-15000	41	10.7%
	5000-10000	161	42.1%
	Above 15000	31	8.1%
	Below 5000	149	39.0%

The demographic information was important to help explain why the homemaker's financial situations are as they are. Seventy five percent of homemakers were married, so most likely there would be some kind of decision making regarding household money by both husband and wife. In addition to the

percentage of married homemakers, forty-two percent of homemakers had a household income of PHP 5,000- PHP 10,000 per month, and thirty-nine percent of them had a household income less than PHP 5,000. Therefore it appears that these households may have been operating at or near poverty levels when managing their household budgets.

Table 2. Factor Loadings and Reliability Estimates

Factor	Indicator	Estimate	SE	Z	p	Stand. Estimate	McDonald's ω
FL	FL1	0.474	0.0731	6.49	<.001	0.720	0.898
FL	FL2	0.474	0.0737	6.43	<.001	0.724	0.899
FL	FL3	0.381	0.0791	4.82	<.001	0.569	0.903
FL	FL4	0.492	0.0802	6.13	<.001	0.690	0.901
FL	FL5	0.386	0.0700	5.51	<.001	0.633	0.902
FB	FB1	0.377	0.0785	4.80	<.001	0.575	0.903
FB	FB2	0.288	0.0671	4.29	<.001	0.524	0.905
FB	FB3	0.481	0.0669	7.18	<.001	0.788	0.898

FB	FB4	0.377	0.0872	4.32	<.001	0.526	0.907
FB	FB5	0.418	0.0803	5.21	<.001	0.621	0.903
FC	FC1	0.370	0.0709	5.23	<.001	0.620	0.902
FC	FC2	0.425	0.0758	5.60	<.001	0.658	0.902
FC	FC3	0.470	0.0788	5.97	<.001	0.692	0.903
FC	FC4	0.456	0.0680	6.70	<.001	0.751	0.900
FC	FC5	0.442	0.0712	6.20	<.001	0.710	0.899

Table 2 presents the factor loadings derived from confirmatory factor analysis (CFA) using Jamovi. The CFA was conducted to assess whether the observed indicators corresponded to their assigned latent constructs, namely Financial Literacy (FL), Financial Behavior (FB), and Financial Capability (FC). Standardized factor loadings were examined to determine the strength of each indicator’s association with its construct, while McDonald’s omega was used to assess internal consistency reliability. The biggest discovery shown by Table 2 was that every indicator of each construct had a significant loading ($p < 0.001$) on the related construct. This supports the measurement quality of the instrument and indicates that the indicators were appropriate measures of financial literacy, financial behavior, and financial capability.

Financial Literacy (FL) and Financial Behavior (FB) showed strong internal consistency. The standardized factor loadings for FL ranged from .569 to .724, while the loadings for FB ranged from .524 to .788. Although FB2 had the lowest standardized loading, it remained statistically significant, suggesting that it still contributed to the measurement of financial behavior.

Financial Capability (FC) also demonstrated strong internal consistency, with standardized factor loadings ranging from .620 to .751. These results indicate that the FC indicators provided acceptable to strong contributions to the construct. Overall, the CFA and reliability results suggest that the instrument had acceptable measurement properties for assessing financial literacy, financial behavior, and financial capability among homemakers.

Table 3. Construct Mean and Standard Deviation

Construct	Item	Mean	Overall Mean	Std. Deviation	Verbal Interpretation
FL	FL1	3.20	3.28	0.612	Agree
	FL2	3.19		0.684	Agree
	FL3	3.24		0.712	Agree
	FL4	3.31		0.632	Strongly Agree
	FL5	3.44		0.652	Strongly Agree
	FL	3.28		0.501	Strongly Agree
FB	FB1	3.34	3.26	0.679	Strongly Agree
	FB2	3.25		0.655	Agree
	FB3	3.25		0.695	Agree
	FB4	3.29		0.689	Strongly Agree
	FB5	3.17		0.667	Agree
	FB	3.26		0.496	Strongly Agree
FC	FC1	3.19	3.15	0.680	Agree
	FC2	3.14		0.698	Agree
	FC3	3.08		0.689	Agree
	FC4	3.19		0.623	Agree
	FC5	3.21		0.672	Agree
	FC	3.15		0.497	Agree

Note. FL = Financial Literacy; FB = Financial Behavior; FC = Financial Capability. The interpretation was based on the following 4-point Likert scale: 1.00–1.75 = Strongly Disagree; 1.76–2.50 = Disagree; 2.51–3.25 = Agree; and 3.26–4.00 = Strongly Agree.

As illustrated in Table 3, Financial Literacy has an average score of 3.28; whereas Financial Behavior has an average score of 3.26. Both values fall within the ‘Strongly Agree’ range based on the 4-point Likert scale; however, they are close to the lower boundary of the category. Thus, these findings should be interpreted carefully as favorable levels rather

than very high levels. Financial Capability obtained the lowest overall mean of 3.15, which falls under the 'Agree' category. This suggests that although home-

makers reported positive knowledge and behavior, their perceived ability to apply these toward household financial stability may still be limited.

Table 4. *Correlation Matrix*

Construct	Spearman's rho	p-value	Decision
FL-FB	0.681***	<.001	Significant
FL-FC	0.615***	<.001	Significant
FB-FC	0.610***	<.001	Significant

Note. FL = Financial Literacy; FB = Financial Behavior; FC = Financial Capability. ***p*** < .001.

Table 4 provides an overview of correlations amongst these three constructs. Homemakers with the highest levels of financial literacy reported using money in ways which are most favorable (positive) for managing finances as well. Significant positive associations were seen as well with respect to financial behavior and financial capability (rho = .610, p < .001), and between financial capability and financial literacy (rho = .615, p < .001). The results provide evidence of some degree of relationship or association between the variables measured in this study. However, due to the use of a descriptive-correlational research design, it is impossible to determine if there is causality involved.

4.0 DISCUSSION

Findings from the current study indicated that homemakers in Misamis Occidental reported relatively high levels of financial literacy and Financial Behavior, however there was a slight decrease noted in terms of their financial capability. Using Table 3, it can be seen that the means for financial literacy, Financial Behavior and financial capability were 3.28, 3.26 and 3.15 respectively. While financial literacy and Financial Behavior were found to fall under the "strongly agree" classification, the two scores fell just above the lower end of the classification. It would appear that homemakers have basic understanding of finances and manage their finances positively, however they may

lack consistency in applying those skills towards increasing household financial stability.

These results support previous research which indicated that while being financially literate is a very important factor in developing one's overall financial capability; it is only one part of achieving the development of a person's full financial capability. According to Johnson & Sherraden (2007), as well as Sherraden (2013); "financial capability" refers to both the internal resources available to an individual to manage their finances, as well as the external factors such as access to information or the availability of assistance, available to that individual. For example, in the context of this study, homemakers may know how to budget, save and avoid debt; however, due to low incomes and/or access to financial products/services and/or responsibilities in the home, their capability to implement these financially prudent behaviors may be restricted. Therefore, it would seem that the lower average for financial capability as opposed to financial literacy and Financial Behavior are likely related to a variety of factors including income levels, availability of financial products/services and household obligations.

As previously discussed, correlation analysis demonstrated that all three measures (financial literacy, Financial Behavior and financial capability) were positively correlated and statistically significant. As illustrated in Table 4, the largest correlation existed between financial literacy and Financial Behavior ($\rho = .681, p < .001$); followed by Financial Literacy and Financial Capability ($\rho = .615, p < .001$) and lastly Financial Behavior and financial capability ($\rho = .610, p < .001$). These findings validate the work of Robb & Woodyard (2011) and Dew & Xiao (2011) that demonstrate that knowledge of personal finance (i.e., financial literacy) and actually practicing good money management habits (i.e., Financial Behavior) are strongly connected. Specifically, as demonstrated by the correlation results, homemakers who exhibited higher levels of financial literacy, were more likely to exhibit positive Financial Behavior indicating that what homemakers know about managing finances translates into actions taken regarding household finances.

It is essential to note that the correlation results represent associations and not causality. Given that this research utilized a descriptive correlational design,

it is impossible to conclude that financial literacy caused either Financial Behavior or financial capability. Rather, it appears that as the number of years of schooling increases so too did financial capability through increased financial literacy and improved money management habits. Thus, these findings support the theoretical view that financial capability represents a composite measure consisting of knowledge, action (behavior) and access to enabling financial conditions.

In addition to the statistical analysis results, additional contextual information derived from demographics provides important insights into understanding the implications of the findings. A majority of participants represented low-income households with 42.1% reporting incomes ranging between PHP 5,000- PHP 10,000 monthly and 39.0% representing annual incomes less than PHP 60,000. Therefore, even when homemakers demonstrate knowledge and exhibit desirable money management behaviors, limited income levels will restrict their capacity to accumulate wealth through savings/investments and/or access formal financial institutions/products. Therefore, this study provides valuable regional-specific empirical evidence re-

lating to the experience of homemakers in Misamis Occidental and underscores the importance of providing targeted educational programs for improving financial literacy among homemakers as well as economic/livelihood development opportunities coupled with accessible savings mechanisms and inclusive financial product offerings.

5.0 CONCLUSION

In conclusion, this study met its objectives concerning identifying levels of financial literacy, Financial Behavior and financial capability among homemakers residing in Misamis Occidental. Additionally, the study provided evidence of the relationships among these constructs. Specifically, although homemakers reported favorable levels of financial literacy and positive money management behaviors, they experienced a slight decline in terms of their capabilities. However, as evidenced by the high level of correlation found among these three variables; individuals who exhibit high levels of financial literacy or better money management practices are also much more likely to indicate they have developed a greater degree of financial capability.

While the present study provides some important additions to the overall body of literature on which it is predicated, it also has limitations. Firstly, due to its descriptive correlational study design, it is impossible to infer causality regarding the relationship between the variables studied; therefore caution must be taken in drawing conclusions from this study that demonstrate only association. Secondly, although a purposefully selected sample was chosen for this research study (thus reducing the generalization of results beyond the population that was specifically studied). Finally, because all data that were collected were generated through self-report survey methods, there are potential biases associated with recall and/or social desirability that could impact results. Possible future directions for additional research might include using random samples; combining both qualitative and quantitative methodologies; employing longitudinal study designs to understand how changes in either knowledge and/or behavior affect each other over time.

AI DECLARATION OF USE

Authors utilized artificial

intelligence (AI) tools to assist in reviewing and revising the content of this manuscript. Grammar checking, language enhancement, organizing ideas, and manuscript editing are among the types of assistance provided through these AI tools. The authors thoroughly reviewed the output from the AI tools as well as the revisions made to the output to confirm that all content was still accurate and consistent with the purpose of the study. The authors confirmed their own interpretations, arguments, and conclusions based on their review of the manuscript. The authors are responsible for the accuracy, reliability, and validity of the content presented within the manuscript.

REFERENCES

- Addati, L., Cattaneo, U., Esquivel, V., & Valarino, I. (2018). Care work and care jobs for the future of decent work. International Labour Organization.
- Arianti, B. F. (2018). The influence of financial literacy, financial behavior and income on investment decision. *Economics and Accounting Journal*, 1(1), 1-10.
- Bangko Sentral ng Pilipinas. (2019). 2019 Financial Inclusion Survey: Topline report. <https://www.bsp.gov.ph/Inclusive%20Finance/>

- Financial%20Inclusion%20Reports%20and%20Publications/2019/2019FIS-ToplineReport.pdf
- Bangko Sentral ng Pilipinas. (2021). 2021 Financial Inclusion Survey: Topline report. <https://www.bsp.gov.ph/Inclusive%20Finance/Financial%20Inclusion%20Reports%20and%20Publications/2021/2021FIS-ToplineReport.pdf>
- Despard, M. R., & Chowa, G. A. N. (2014). Testing a measurement model of financial capability among youth in Ghana. *Journal of Consumer Affairs*, 48(2), 301-322. <https://doi.org/10.1111/joca.12031>
- Dew, J. P., & Xiao, J. J. (2011). The Financial Management Behavior Scale: Development and validation. *Journal of Financial Counseling and Planning*, 22(1), 19-35.
- Johnson, E., & Sherraden, M. S. (2007). From financial literacy to financial capability among youth. *Journal of Sociology & Social Welfare*, 34(3), 119-145. <https://doi.org/10.15453/0191-5096.3276>
- Klapper, L., Lusardi, A., & van Oudheusden, P. (2015). Financial literacy around the world: Insights from the Standard & Poor's Ratings Services Global Financial Literacy Survey. Standard & Poor's Ratings Services.
- Loke, V., Choi, L., & Libby, M. (2015). Increasing youth financial capability: An evaluation of the MyPath Savings Initiative. *Journal of Consumer Affairs*, 49(1), 97-126. <https://doi.org/10.1111/joca.12066>
- Nanda, A. P., & Banerjee, R. (2021). Consumer's subjective financial well-being: A systematic review and research agenda. *International Journal of Consumer Studies*, 45(4), 750-776. <https://doi.org/10.1111/ijcs.12668>
- Robb, C. A., & Woodyard, A. S. (2011). Financial knowledge and best practice behavior. *Journal of Financial Counseling and Planning*, 22(1), 60-70.
- Sherraden, M. S. (2013). Building blocks of financial capability. In J. M. Birkenmaier, M. S. Sherraden, & J. C. Curley (Eds.), *Financial capability and asset building: Research, education, policy, and practice* (pp. 3-43). Oxford University Press. <https://doi.org/10.1093/acprof:oso/9780199755950.003.0012>
- World Bank Group. (2015). Enhancing financial capability and inclusion in the Philippines: A demand-side assessment. World Bank.